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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: General Wireless, Inc.
Docket No. ET 97-82
Notice of Ex Parte Presentations

Dear Mr. Caton:

Pursuant to Section 1.1206(a)(2) of the Commission's rules, General Wireless, Inc. ("GWI") hereby submits this Notice of Ex Parte Presentations. On July 24, the undersigned and representatives of GWI met with the Commission representatives referenced below to discuss GWI's C block PCS debt restructuring proposals, as referred to in GWI's comments filed in the above-referenced proceeding. GWI presented the enclosed submissions¹ and discussed GWI's current financial status and the potential effect of the Commission pursuing the various proposals submitted in the above-referenced proceeding. GWI also discussed the current stock prices of publicly traded PCS companies and argued that such prices reflect a significant devaluation since the close of the C block PCS auction.

In describing the options set forth in the enclosed submission, GWI discussed the potential of allocating existing down payments to a "store credit"

¹ GWI submitted to Commissioner Ness and Jackie Chorney a copy of its ex parte presentation that was submitted to various Commission representatives during meetings with GWI on July 17, 1997, as referenced in GWI's July 18, 1997 Notice of Ex Parte Presentations. A copy of the July 17 presentation is enclosed herein.

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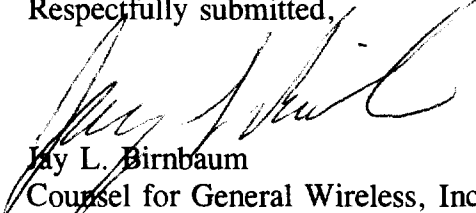
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that defaulting C block licensees could apply in a C block reauction. GWI argued that if the Commission retained existing down payments, either in full or a substantial part, without applying significant credit to the defaulting parties to use in a reauction, then GWI and other similarly situated C block licensees would be forced into bankruptcy and unable to participate in future auctions.

GWI was represented by Roger Linquist, its CEO, Dennis Spickler, its CFO, Al Loverde and John Lister, each a Vice President, and Jay L. Birnbaum of Skadden, Arps, Slate, Meagher & Flom LLP. The Commission was represented at three separate meetings by the following: (1) Jon Garcia of the Office of Plans and Policy and Jerome Fowlkes of the Wireless Telecommunications Bureau; (2) Commissioner Susan Ness and David R. Siddall of the Office of Commissioner Ness; and (3) Jackie Chorney of the Chairman's Office.

Copies of this Notice of Ex Parte Presentations have been provided to the above-referenced Commission representatives, as required by Section 1.1206(b)(2) of the Commission's rules. An original and one copy has been submitted to the Secretary's office.

Respectfully submitted,



Jay L. Birnbaum
Counsel for General Wireless, Inc.

Enclosures

General
WIRELESS^{INC.}

**FCC Debt Restructuring
Follow-Up**

WIRE

C-Block Experiment Status

- ❑ Grand experiment is at risk.
- ❑ Principal assets of independent DEs are their FCC licenses
- ❑ Public markets now value the license less than the outstanding debt and additional financing is unobtainable
- ❑ If amnesty means refund/re-auction — it's a done deal!
- ❑ If fairness means Government takes some equity as partial compensation for "its losses," — let's talk.
- ❑ What's unfair . . . is additional punishment to the winners since losers and winners acted the same during the auction and delay has **already punished the winners!**

Fairness Perspective

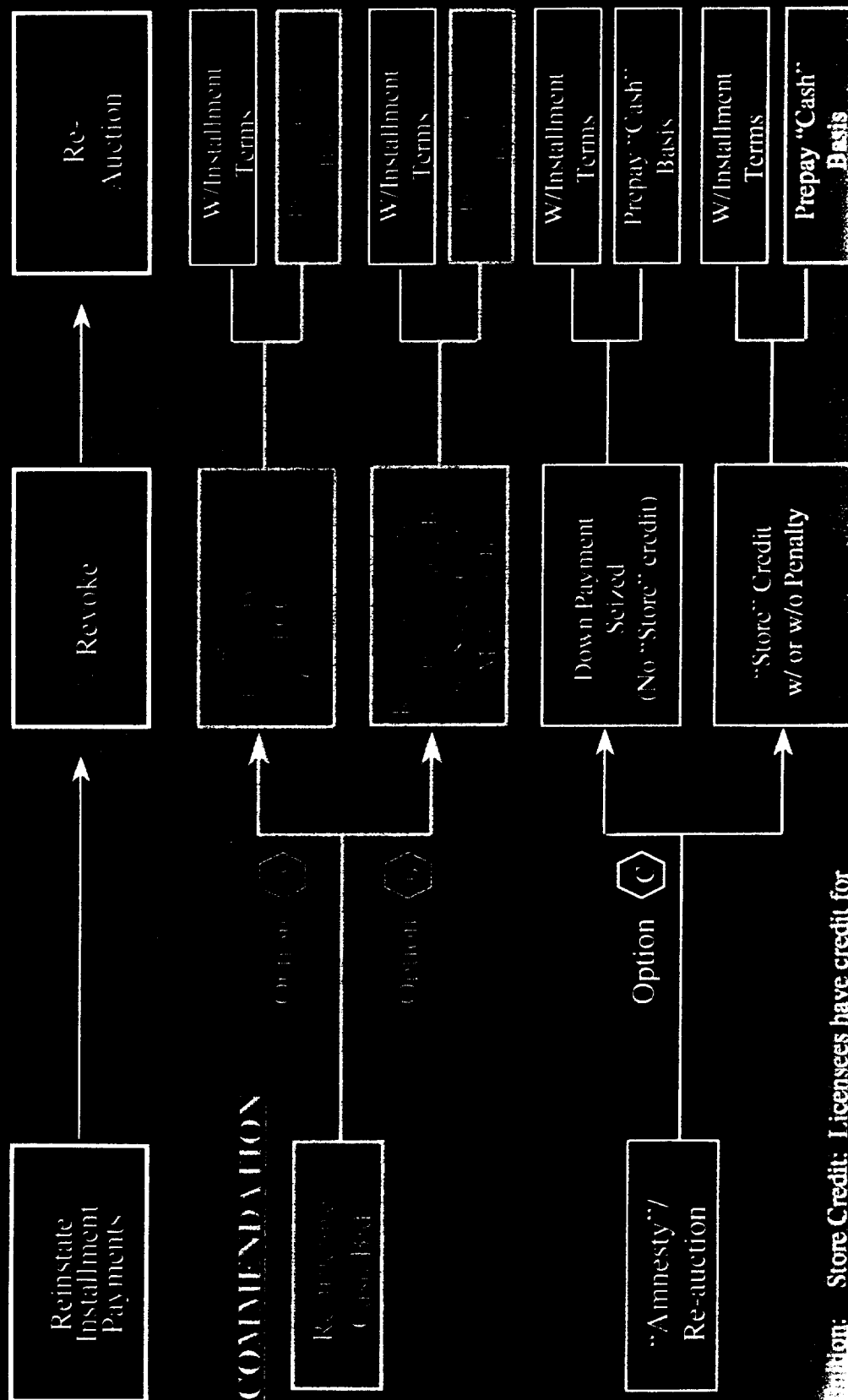
Losing DEs Position

- └ “Had I known, I would have...”
 - All had the same information
 - No one could foresee the future
- └ “Have been deprived of an opportunity...”
 - Losing bidders at 95% of winning bid
 - Even losing bids from petitioners can't be financed

Winning DEs Position

- Fairness equals balancing stake holders' interests with FCC C-Block goals
 - Speed to market
 - Viable small business competition
 - Recovery of fair value of licenses for taxpayers
- Monetary punishment for unforeseen events in the “Controlled Experiment” is

Major FCC Alternatives



Conclusion: Store Credit: Licensees have credit for license payments made

Restructure or Re-Start Auction

Alternatives Better Address FCC Goals

Key Concerns

FCC C-Block Goals*

"Fairness"

Unjust Enrichment

Cash Proceeds

Time Delays

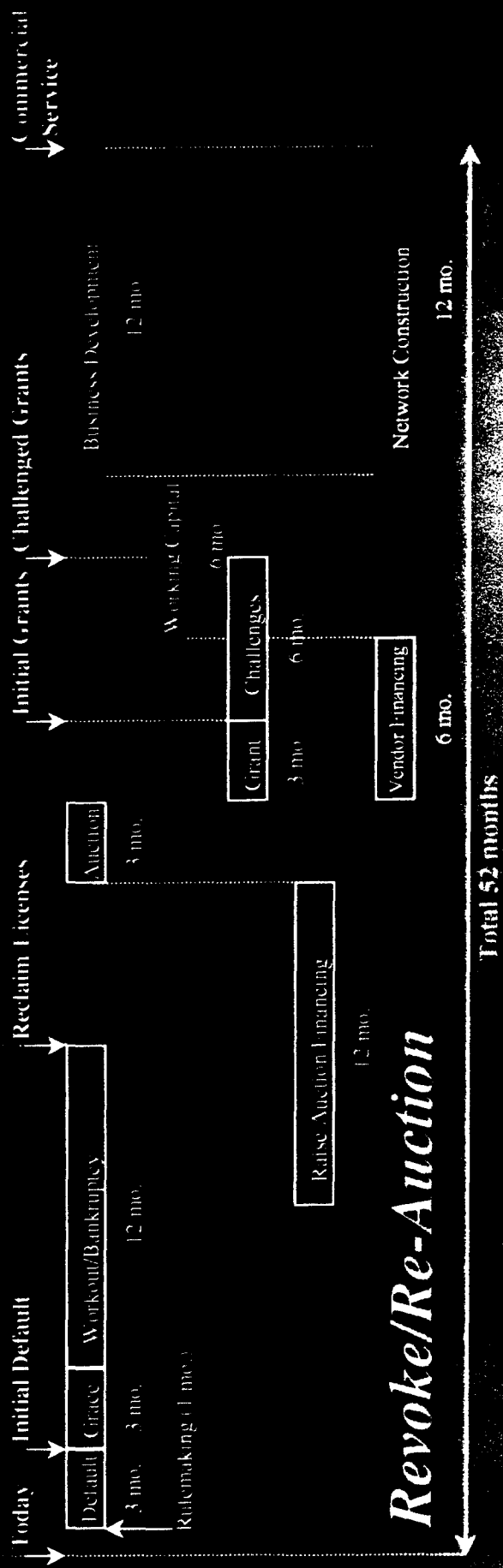
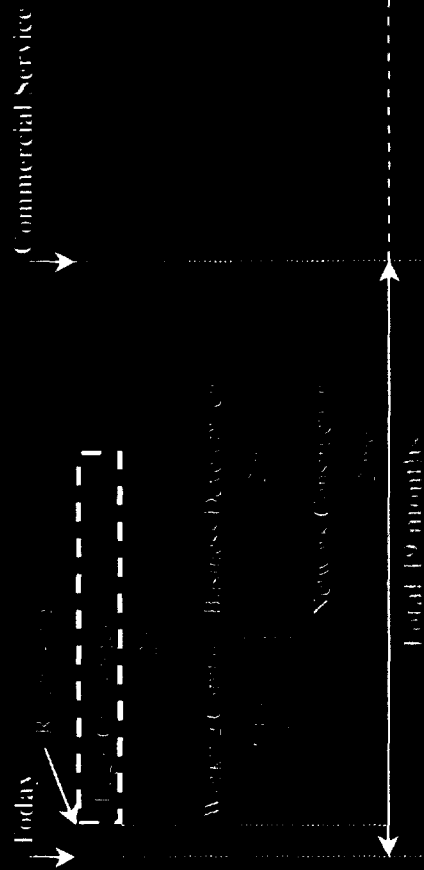
<u>Option A</u>	<u>Option B</u>	<u>Option C</u>
Restructure Existing Licensees (w/ or w/o Gov't Equity Stake)	Re-Start Auction Based on Restructure Bid	"Amnesty" Re-Auction
Best Meets FCC Goals	Delay Threatens Competitive Viability	Significant Delay Threatens Competitive Viability
Excludes Some DEs from Second Chance	Fair to <u>All</u>	Fair to <u>Few</u>
Addressed with Government Equity Stake	None	Windfall to Cash Rich DEs
Pre-Payment Plan Provides Estimated FMV (& confidence for financing)	Maximize Cash Proceeds	Diminished Cash Proceeds
Appeals Court	Appeals Court + Auction Delays	Due Process & Bankruptcy Court + Auction Delays

Revoke - Re-Auction

* FCC C-Block Goals

- Speed to market
- Viable small business competition (to avoid concentration)
- Recovery of fair value of licenses for taxpayers

Time to Commercial Service Projections



Restructure Debt - Option A

(Pre-Payment Proposal)

Concept

(with Government Equity Stake)

Restructuring debt is quickest and best way to bring DE competition to the market

Reduction of license cost to fair market value based on current market conditions

An equity interest which compensates government for debt reduction without limiting financing would be analogous to bankruptcy type workouts

Issues to be resolved:

- Size of equity stake
- Vehicle for holding (e.g. Independent Trustee)
- Terms and conditions

Implications

Speedy resolution of DE

Reduces the impact of regulatory changes

Upside for taxpayers analogous to "Workouts"

Proceeds available for multiple Government use

Option A is the only option that ensures competitive viability

Restructure/Re-Start Auction - Option B

(Participants' Licenses at Risk)

Concept

Restructure the existing debt for all licensees electing this option according to GWT's pre-payment proposal¹⁸

Restart the auction under existing DE rules, modified to reflect pre-payment option and unique circumstances

Establish a "store credit" equal to their downpayment for each licensee electing this option

Establish a "minimum bid" for each BTA equal to the restructured net cash bid and hold existing licensees accountable for the minimum bid

Allow any bidder the right to bid on any license put at risk in this re-auction

Requires waiving licensees' right to include licenses in bankruptcy

Implications

Removes the debt from the auction

Minimizes the future financial risk on the program

Ensures fairness to all existing licensees

Ensures fair compensation to tax payers

Ensures fairness to all DEs, including dropouts

Auction Rules Must Be Modified for Re-Structure/Re-Start Auction

Auction Participants:

All qualified designated entities (DEs)

Minimum Bid:

Equal to restructured net cash bid under "pre-payment" proposal

Eligibility Deposit

Deposit for "New Money":

Most current rules

Deposit for Existing Licensees:

Limited to total pops licensed plus any additional deposits

Payment Process

First Down Payment:

50% of minimum bid (end of auction)

Second Down Payment:

50% of minimum bid (at license grant)

Final Payment:

Six to 12 months after license grant

Payment Terms:

Cash only

Bidding Rules

First Bid:

Made by any bidder, but must equal or exceed minimum bid

Subsequent Bids:

As per C-Block Stage III rules

Bankruptcy Rights:

Waived

Summary

Financial panel in public forum confirmed financial meltdown of PCS stocks and license values

No independent DE has accessed public capital markets since the C-Block auction

Timely restructuring of debt required to assure competitive viability of C-Block

Restructuring is a balanced solution which best achieves FCC goals

General
WIRELESS^{INC.}

FCC Debt Restructuring

WIRELESS[?]

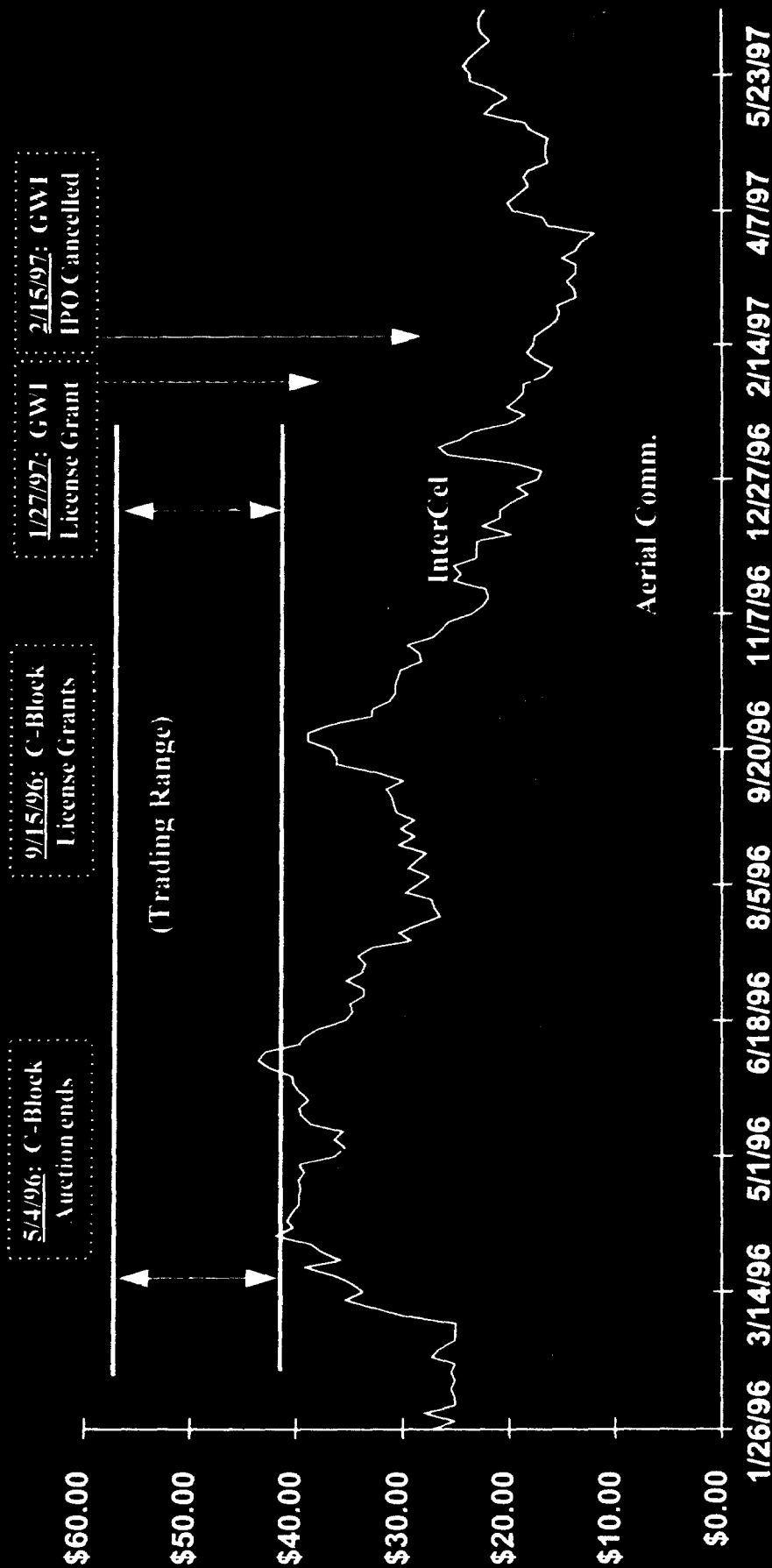
General Wireless, Inc. (GWI) Profile

☐ Company Background

- Founded in 2Q94
 - Downpayment of \$106 million completed in 1Q97
- ## ☐ Senior Management Team Has Extensive Wireless Experience
- ## ☐ Prepared to Access Public Capital Markets - S1 Filed 2Q96
- ## ☐ Four Letters of Intent to Fund GWI's Pre-Payment Proposal

Exhibit A

Public Market Enterprise Valuation (\$ per POP)



WIRELESS?

Reduction of C-Block Proceeds is Unavoidable

- ☐ Either restructure or re-auction leads to a reduction of government proceeds to the current fair market value of the licenses
- ☐ If all C-Block licensees are not restructured, those licensees not involved in a re-auction will likely demand a reduction in their license cost to fair market value

The issue is who is best positioned to raise additional capital and provide prompt service to the public:

- Licensees who made a downpayment of \$1 billion, or
- DEs that want a second chance?

The FCC Has a Choice: Valuation Can Be Determined Several Ways...

Re-Auction

- "Spot Market" price will change over time
- Service will be delayed for at least 2-3 years
- Delay will greatly depress prices

Appraisal

- Performed by objective third party
- Based on past auction values and analysis of current comparables
- No two appraisals will be alike

Past Auction Values (A/B Block)

- Fair to all licensee auction winners
- High end of current estimated FMV
- Key "reference points" of value

**... Using the Average of the A/B-Block Auction is Fair;
It Represents the Highest Prices and is Immediately Actionable.**

Prepayment Proposal Involves Restructuring Net Cash Bids to Fair Market Value (FMV)

Financed (90%)

C-Block
Average
\$10.1B

Cash

FMV
A/B-Block
Average
\$3.9B

Proposed
C-Block Pre-Pay
Plan
\$2.6B

Scale all BIAs

- Fair to all DEs (prorata)
- Fair to all auction winners
- 30% to 50% higher than 30 MHz D/E&F-Block equivalent

Incentive to Pre-Pay (\$1.3B)

- Removes Commission's dual role as regulator and creditor
- Eliminates financing administration
- No further bad debt risk
- Enhances DE financing ability (effective subordination)

Debt Restructuring by Means of Prepayment Addresses All Issues

ISSUE

- Time to commercial service
- Licenses held by those who value them most
- Conflicting role of regulator & creditor
- Fairness

Bidders were irresponsible

Rules are the rules (drop-outs)

Integrity of future auctions

- Legal challenges

FCC authority to restructure

Court delays

- How to establish Fair Market Value

RESPONSE

- Current licensees can be in service more quickly
- Auction process accomplished this
- Removes creditor role at FCC
- “Meltdown” in public PCS stocks and delay in license grants denied financing
- Rules reflect flexibility to implement policy through debt restructuring
- Future DE auctions should be cash
- Authorization and precedent exist
- Re-auction could involve delay of multiple years
- A/B-Block average is a reasonable estimate

Commenters Positions on Debt Restructuring

FOR

INDEPENDENT COMPANIES

e.g., NextWave
Pocket
GWI
Clear Com (PCS2000)
Chase
Fortunet
On Que
Urban Communications
R&S PCS
PCS Plus, LLC
21st Century Telesis
Indus
Mountain Solutions
Southeast Telephone
Horizon Personal Comm.

AGAINST

INDEPENDENT COMPANIES (DROP OUTS)

e.g., AirLink (AirGate)
TeleCorp
North Coast
PCS Devco/Antigone

AFFILIATED COMPANIES

e.g., Cook Inlet/Western Wireless

"UNDER THE WIRE" PUBLICLY TRADED COMPANIES

e.g., Omnipoint (Pioneer Preference A-Block - New York MTA)

MAJOR PCS/CELLULAR/SMR COMPETITORS

e.g., Sprint
BellSouth
Nextel
PrimeCo

GTE

WIRELESS?

GWI's Pre-Payment Plan for C-Block

☐ **Adjust net cash bids to today's Fair Market Value**

- PCS stock index declined by as much as 75% in first half 1997.
- Restructuring based on Material Adverse Change provisions is common in commercial transactions with a deferred closing.
- FMV is approximated by the average of the A/B-Block.
- Equitable proration for all C-Block licensees.

☐ **Next, offer a pre-payment discount**

- Make the value equivalent to the installment financing it replaces.
- Provide full value of the licenses as collateral in the event of default.

\$40/POP Installment Plan ⇨ \$10.33/POP Cash

Industry Panel Issues/Response

— Pre-Payment Plan Recommendation Implications —

1. Would modification ensure service to public?
 - ☐ **Yes. Licensees have reasonable expectations to gain financing.**
2. Would a modification undermine the integrity of the auction program?
 - ☐ **No. Sets the stage for future DE auctions on a cash basis.**
3. Why should the Commission grant relief so early ...?
 - ☐ **It's not early ... it's late and head start of competition is increasing ...**
 - ☐ **Pre-Payment plan has broad support in the financial community ...**
 - ☐ **Service to the public and competition would be greatly facilitated.**
4. How should the Commission balance its role as regulator and creditor ...?
 - ☐ **Pre-payment plan removes the creditor role from FCC.**
5. Would any restructuring proposal be equitable to bidders who dropped out ...?
 - ☐ **Pre-payment plan supports the public interest by quickly restarting licensees that have \$1B at risk and speeding service to the public.**
 - ☐ **Re-auction, benefiting drop-outs, delays competition for several years.**

FCC's Public Policy Objectives

- ☐ Quickly assure increased competition
- ☐ Enable DE participation in wireless markets
- ☐ Capture a portion of the spectrum's value as Government proceeds

**Restructuring is the Best Way for the FCC to
Achieve its Public Policy Objectives**